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FM AMCONSUL SHENYANG  
TO RUEHC/SECSTATE WASHDC PRIORITY 8072  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 7811  
RUEHUL/AMEMBASSY SEOUL 1732  
RUEHKO/AMEMBASSY TOKYO 1968  
RUEHUM/AMEMBASSY ULAANBAATAR 0964  
RUEAIIA/CIA WASHDC 0026  
RHHJJAA/JICPAC HONOLULU HI  
RUCGEVC/JOINT STAFF WASHDC 0007  
RHEHAAA/NSC WASHDC  
RUEKJCS/SECDEF WASHDC 0049  
RUEKJCS/DIA WASHDC 0017

C O N F I D E N T I A L SECTION 01 OF 03 SHENYANG 000101

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DEPARTMENT FOR INR, EAP/CM, EAP/K

E.O. 12958: DECL: TEN YEARS AFTER KOREAN UNIFICATION  
TAGS: PREL PGOV PINR ECON KN KS CH  
SUBJECT: PRC/DPRK: BORDER TRADE AND SOME NEW FRICTIONS (MAY 2007)

REF: A. (A) SHENYANG 69

1B. (B) 06 BEIJING 23166

Classified By: ACTING CONSUL GENERAL DAVID BRIZEE. REASONS: 1.4(B) AND (D).

11. (C) SUMMARY: There continue to be differences between Jilin and Liaoning Provinces in the volume and scrutiny of their trade with North Korea. PRC-DPRK frictions have recently emerged in Ji'an, where Chinese officials have taken the unusual step of publicly criticizing neighboring North Korean authorities. Chinese officials farther north in Baishan privately expressed some trade-related frustration with the DPRK, but remain hopeful that the North will soon agree to participate in several new barter-trade zones recently constructed by the PRC in Linjiang and Changbai. END SUMMARY.

12. (C) Poloff traveled May 7-11 along nearly half of the PRC-DPRK border, which was quickly transitioning into spring as North Koreans and Chinese busily ploughed their fields in preparation for the imminent planting of spring crops. Sites visited included Dandong, across from Sinuiju, North Korea; Ji'an, which abuts Manpo; Baishan; Linjiang, which faces Chunggang; and Changbai County, across from Hyesan.

THE PORTS, FROM DANDONG TO CHANGBAI

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13. (C) DANDONG. The level of activity at the Dandong Land Port appeared consistent with previous visits during Poloff's very brief observation on the morning of May 7. Between 1000 and 1045, Poloff observed approximately 40-50 mostly large, closed-container PRC trucks pre-cleared elsewhere cross into Sinuiju, North Korea; nearly 80 crossed during the same time interval in March (ref A). Several light outbound vans and passenger cars--including two late-model Mercedes with red North Korean plates-- exited China without appearing to undergo inspection. Border officials appeared to pay more attention to traffic entering China from North Korea. Between 1040 and 1120, Poloff observed approximately 80-100 mostly empty container trucks cross into China from North Korea. Upon entering, quarantine officials sprayed tires with a disinfectant,

after which customs officers inspected the cargo holds of incoming trucks and, unlike what appeared to be the case during past visits, climbed into the cabs of a number of cargo trucks to look around. The 10-15 late-model Japanese passenger cars and SUVs with North Korean plates that passed through the port during the same period appeared to attract less scrutiny from customs officials. Chinese, presumably business partners, greeted a number of North Korean drivers at the port, often handing the latter cell phones as soon as they cleared customs.

¶4. (C) Poloff finally gained access to Dandong's customs-monitored warehouse on the outskirts of town, where customs officials appear to inspect and "seal" many of the trucks bound for Sinuiju. (NOTE: Police had previously refused Poloff access to the facility--shouting at Poloff to leave--presumably because of PRC sensitivity in the wake of Pyongyang's nuclear test and UNSCR 1718. The facility is located at 40 Huayuan Road; see ref B for details. END NOTE.) At approximately 0915 on May 8, Poloff observed a number of Chinese container trucks being loaded from a warehouse situated at the edge of the facility. 80-100 heavy PRC trucks sat parked in the middle of the open-air enclosure as customs officials inspected paperwork and, alongside drivers, peered into open cargo holds, which contained goods ranging from fruit and furniture to refrigerators. The facility contained no North Korean vehicles.

¶5. (C) JI'AN. Several hundred kilometers north of Dandong in Jilin Province, three official ports link Ji'an with North Korea. At Ji'an's rail port to Manpo, a 3-car Chinese train with one passenger car crossed into North Korea at approximately 1740 on May 8, though People's Armed

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Police (PAP) guards refused Poloff access to the facility. PAP guards proved far more lax 60 kilometers south of Ji'an proper at Laohushao Port, where cargo traffic crosses the Yalu on a small barge. Poloff on the morning of May 9 observed only two Chinese trucks--packed with consumer electronics--slowly cross by barge into North Korea's Wiwon Port.

¶6. (U) In an unusual online report last month quite critical of neighboring North Korean authorities, Ji'an Customs noted that heavy rain again destroyed Wiwon Port's dock on April 18. PRC port authorities have complained about the DPRK's inability to properly reinforce the port on several occasions during negotiations, and the article alleged that the DPRK's actions had "seriously affected" PRC-DPRK border trade in Laohushao. According to another online report by the Ji'an government in late April, commerce has effectively (temporarily) stopped at Qingshi Port--the city's third port--and Ji'an's overall trade with North Korea is falling this year. The main reasons include resource depletion in the DPRK (over-timbering has decreased the amount available for export), as well as a trade spat: North Korea this year raised the price of its timber exports considerably, which has hampered Chinese profit potential and produced "difficulties" in PRC-DPRK trade negotiations on the issue, the report said.

¶7. (C) LINJIANG. Further north at Linjiang Port--across from Chungang, North Korea--Poloff on May 9 at 1400 observed one North Korean container truck parked on the land bridge waiting to enter China. On the Chinese side, 3 light, open-bed Chinese trucks stuffed with fruit, vegetables and clothing queued to enter the port, inside of which 7 North Koreans waited, presumably to cross back into North Korea. Several minutes after entering, PAP guards insisted that Poloff leave the facility, which is open to Chinese tourists, but not foreigners, they said.

NK TRADE DOWN IN CHANGBAI, NEW BARTER ZONES ON THEIR WAY?

¶18. (C) CHANGBAI. Several hundred kilometers north of Linjiang in Changbai County (China's sole autonomous ethnic Korean county), Changbai Port sits across from Hyesan--a large, relatively lively North Korean border city with abundant signs of life (unlike many other cities along the border visited by Poloff). PAP authorities at the port strenuously opposed Poloff's request for a visit--despite the intervention of the local Foreign Affairs Office--citing the sensitivity of the North Korean side. Local government officials, however, proved willing to talk unofficially.

¶19. (C) Trade between North Korean and Baishan City--which formally administers Linjiang and Changbai, including their ports--has been suffering, according to ZHAO Lina (protect), Chief of the Baishan Trade and Economic Bureau's Foreign Trade Section. 2006 was "not so good," and saw total Baishan-DPRK trade of USD 180 million, of which USD 120 million was exports, Zhao told Poloff on May 10. Zhao suggested that North Korea's missile/nuclear adventurism, among other longer-term factors (e.g., the North's planned economy, low efficiency, poor "credibility"), had led to the decline in trade as Chinese customs tightened inspections, she argued. But the Deputy Director of Changbai Customs contradicted Zhao, asserting in a separate, unofficial conversation with Poloff later that day that there had effectively been no change in the volume/value of local trade with North Korea as a result of the nuclear test or alleged enhanced inspections pursuant to UNSCR 1718, precisely because of the composition of Chinese exports to North Korea in the area (which is dominated by daily consumables, grain, clothing and the like--all of which is not restricted by UNSCR 1718).

¶10. (C) Zhao noted, too, that both Changbai and Linjiang have recently constructed barter trade zones to facilitate more informal cross-border trade, but said somewhat

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disappointedly that Baishan is still awaiting a response from North Korean authorities. She offered no specifics.  
BRIZZEE